

H-L-V CSD/EA

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In the Matter of Arbitration	*	
Between	*	
	*	
H-L-V EDUCATION ASSOCIATION	*	OPINION AND AWARD
IOWA STATE EDUCATION	*	
ASSOCIATION/NEA	*	
	*	Anna DuVal Smith, Arbitrator
and	*	
	*	Interest Arbitration
H-L-V COMMUNITY SCHOOL	*	
DISTRICT	*	

APPEARANCES

For the H-L-V Education Association

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For the H-L-V Community School District

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I. SUBMISSION

This matter came for public hearing at 9:00 a.m. on June 30, 2003, at the offices of Ray and Associates in Cedar Rapids, Iowa, before Anna DuVal Smith who was appointed Arbitrator pursuant to Section 20.22 of the Iowa Code. A tape recording of the proceeding was made. Both parties were afforded a complete opportunity to examine witnesses, to present written evidence, and to argue their respective positions. Present for the H-L-V Education Association ("Association") in addition to its advocate was Jacob F. Itzer of the Association's negotiation team. Present for the H-L-V Community School District ("District") in addition to its advocates was Superintendent William A. Lynch. The oral hearing concluded at 2:04 p.m. on June 30, 2003, whereupon the record was closed. The Arbitrator subsequently requested and received an extensions until July 30 for issuing her decision.

II. BACKGROUND

The H-L-V Community School District is located in east central Iowa serving the rural populations of Hartwick, Ladora and Victor. With an enrollment of 442, H-L-V ranks ninth in size within its athletic conference, a stable grouping of districts to which it has traditionally compared itself.¹ Statewide, it ranks 281 of 370. The Association has represented H-L-V's teachers for many years, negotiating its first collective bargaining agreement in 1976. Represented staff presently number approximately 34 FTE, about 13 of whom have 20 or more years service with the District. Six hold masters degrees.²

In negotiating their 2003-2004 Master Contract, the parties resolved all issues save salary schedule and insurance. More specifically, the parties' final offers differ as to the amount that is to be added to the base salary and the size of the District's contribution to family insurance.

¹ The districts in the South Iowa Cedar Athletic Conference are B-G-M, Belle Plain, English Valley, H-L-V, Iowa Valley, Keota, Lynnville-Suly, Montezuma, North Mahaska, Sigourney, and Tri-County.

² These numbers are approximate because the scattergrams submitted by the parties report the figures in somewhat different ways.

Moreover, they narrowed the difference in the monetary value of their respective packages to \$1,314, which they agree has no impact on the District's ability to fund the contract. They therefore waived evidence and arguments on the budget. Further, they stipulated that the structure of their respective final offers is such that Arbitrator is to award both items as a package either for the Association or for the District, not splitting them one for the Association and one for the District.

III. IMPASSE ITEMS

Final Offers

Article IV Insurance

The Association proposes to increase the District's contribution to the cafeteria plan of those employees hired after April 1, 1992, who choose a family plan (Section A.2) from \$751 per month to \$875 per month. For those choosing single plans, (Section A.3) the Association would increase the District's contribution from \$410 to \$415 per month.

The District's final offer is to increase its monthly contribution for the same employees from \$751 to \$825 (family) and from \$410 to \$415 (single).

Article XVII Wages and Salary

The Association would change the dates in Section A to 2003-2004, increase the base salary from \$22,500 to \$22,750, and revise the salary schedule accordingly. The Board also proposes to change the dates to 2003-2004, but would increase the base salary from \$22,500 to \$23,000.

<u>Summary of Final Offers</u>			
	Current	Association	District
Insurance:			
Family	\$751	\$875	\$825
Single	\$410	\$415	\$415
Base Salary	\$22,500	\$22,750	\$23,000

Contentions of the Parties

The Association

The Association argues that bargaining history favors its position because the District has paid for family coverage for many years. It traces the inception of this practice back to the 1981-82 Master Contract when the Association gave up its indexed salary schedule for full family coverage. When the parties went to impasse on insurance in 1988, the neutrals ruled for the Association. For 1992-93, the parties negotiated the present cafeteria plan language, which provided cash and insurance for new hires but included full family coverage without the cash benefit as an alternative for employees hired before April 1, 1992. Since then the cap has always been increased to cover rising insurance rates. Citing a plethora of neutrals who declined to award concept changes, declaring that such changes should occur at the bargaining table, the Association submits that the Arbitrator should not disturb this long-standing negotiated practice.

The Association concedes that H-L-V has the second highest district contribution in its athletic conference and the lowest employee contribution, but points out that its members pay for this in their low relative salaries, which it says is the result of losing the indexed salary schedule it gave up for fully paid family insurance. The Association is still paying for this trade because the history of step increases shows the 4% they received through 1980-81 has declined to 2.14% in 2002-03. Now the District wants employees to shoulder \$600 more a year in family insurance premiums, but offers only \$500 on the base, which is not enough to correct the low salary problem created by eliminating the indexed salary schedule.

With respect to its final offer on salaries, the Association submits data showing that the average statewide BA base increase for 2003-04 is \$342 (as reported by ISEA) and \$320 (as reported by IASB). The Association's offer of \$250 is closer to these than to the Board's of \$500. The Association's offer also covers the average settlement of \$194 in the four conference districts negotiating this year and is close to the \$297 average of other districts in the region with regular program growth in the 1-2% range like H-L-V's which is 1.37%.

In terms of total compensation (salary and insurance), the Association submits that H-L-V is competitive within the conference (which constitutes its labor market), ranking 4 of the 11 districts. It argues that the distribution of compensation dollars towards family insurance reflects the way the community views and values its teachers and has been quite successful in attracting and maintaining exemplary staff. It thus helps the District meet its stated goal when marketed properly. The Association concludes by saying that nearly 70% of the employees have paid family insurance. It is an important benefit to them and so the Association tries to preserve it and then whatever it achieves on the base is a real salary increase.

The District

The District is of the view that because of bargaining history, the balance between salary and District-paid insurance has been lost to the point that it is extreme and unreasonable. This is shown by its different rank ordering within the conference on these two forms of compensation. The District's average salary is \$1,730 below the conference average, ranking seventh while its District-paid insurance per FTE is \$1,734 above average, ranking second. The District's proposals, it asserts, will begin to address that imbalance and improve the District's ability to attract new teachers. In addition, it is less extreme and more reasonable than the Association's in a number of respects including the facts that it more fairly distributes economic benefits among classes of employees, is more comparable to settlements elsewhere than is the Association's, and better follows the intent of past bargaining between the parties.

With respect to insurance, the District points out that the cost of family health insurance is increasing by 16.4%. Since 1992-93 the parties have negotiated fixed dollar increases to the District's contribution that fully covered past insurance cost increases. The District can no longer ignore that the Contract provides for a cap, not fully paid family insurance. For 1992-93 the District heeded neutrals' advice to buy its way out of fully paid family insurance when it agreed to a cafeteria plan with caps on District contributions for employees hired after April 1, 1992. The fact that employees hired before that date were given the choice between the cafeteria

plan or full family insurance shows the parties intended to abandon fully paid family insurance. This is supported by the fact that the Association has, since then, come to the table proposing full family insurance. But it has always conceded and settled for increases in the cap. The cap is just a number which happens to have covered the cost of the lowest price family plan over the years, something the District's proposal would come close to doing if a higher deductible plan were adopted. The change in the cap's size was never tied directly to the insurance rate increase. In fact, the gap between the cafeteria contribution and the cost of the family plan has narrowed over the years. Crossing of the trend lines was inevitable. Since the Association now wants to change the concept of the cap, it must carry the heavy burden of showing difficulty with existing language, intransigence by the other party, and/or other conditions warranting imposed change rather than bargained change.

History supports the District's offer in other ways, says the District. Since 1992, the increases in family caps have averaged \$30. While the District's proposal to increase it by \$74 would, if awarded, be the largest in history, the Association's proposal to increase it by \$124—67.6% larger than the District's—is unprecedented.

Looking at other districts, in the last year for which data are available (2000-01), despite being one of the smallest districts in the state, H-L-V was fourth in the state on family insurance. Within the conference, only English Valley has full family coverage. The conference's mean monthly family contribution increase for 2003-04 is under \$11. The Association's proposal is eleven times this amount whereas the District's is 6.75 times. In terms of per teacher spending, H-L-V's is \$7,321, second highest in the conference and 31% higher than the average of \$5,587. The District submits data on five districts larger and five districts smaller than H-L-V in east central Iowa showing similar relationships.³ Only two provide full family insurance and their mean monthly increase is \$34.

³ Aplington, Clarksville, Dunkerton, English Valley, GMG, Janesville, Lone Tree, Parkersburg, Springville, and Tripoli.

With respect to salary, the District submits that bargaining history supports its position, too, for \$500 has been the addition to the base in the last three voluntary settlements. The District needs to continue this pattern because salaries have been depressed by the generous insurance package. Where the District ranks second within the conference in insurance, its average salary of \$32,751 is 5% below the conference's average of \$34,481, putting it in seventh place of eleven. Its deviation from the average, \$1,730, is offset by the positive insurance deviation from the conference average, \$1,734. The District's salary position is even worse when compared with the five larger/five smaller group: though H-L-V ranks sixth in size, it is ninth in average salary, paying \$2,464 below average. The District submits data to show that the salary schedule is below the conference average throughout the grid. When adjusted for excess insurance, though, its position improves significantly. The Association's approach is thus misguided because it adds to insurance where the District already compares favorably, whereas salary is what needs improvement and what will improve retirement income.

The District continues that the distribution of employees in the schedule shows several things in support of its offer. For one, the fact that 82% are in the BA lanes shows the present schedule does little to induce teachers to advance professionally by getting an advanced degree. Second, the fact that 66% have ten years or more of experience and 19% have 29 or more years shows that average salary is being pulled up by longevity.

Finally, the District looks at the total package proposed by each party in comparison with settlements elsewhere. Conference total package increases averaged \$1,604 or 3.87%. Settlements in other comparison groupings such as Size 2 schools and 1% new money schools ran somewhat higher (4.14% for AEA 10, e.g.), but both the District's and Association's final offers are within the range, both in terms of absolute dollars and percent growth.⁴ But when their offers are broken down into average salary and insurance components, only the District's offer is close to average, for the Association's is significantly under the other groups in terms of salary

⁴The District's is \$1,730 or 3.91%. The Association's is \$1,769 or 4.00%.

increase and significantly over them in terms of insurance. Moreover, District employees will be differentially affected depending on which package is awarded and whether they have family insurance. Under the Association's final offer, H-L-V teachers with no insurance or single coverage will be below average on both salary increases and total package dollars, whereas under the District's final offer, these employees will be below average on total package dollars, but about average in terms of salary increase. The District calculates the spread between what family insurance employees and single insurance employees will receive under the two offers to be \$1,409 (including FICA/IPERS) with the District's offer and \$2,008 with the Association's.⁵ This latter difference, it contends is far too extreme to be "the most reasonable proposal." For this reason, as well as the others argued, it urges adoption of its final offer.

IV. OPINION

The law under which the Arbitrator derives her authority requires her to select "the most reasonable offer" and to consider in addition to any other relevant factors

- (a) Past collective bargaining contracts between the parties including the bargaining that led up to such contracts.
- (b) Comparison of wages, hours and conditions of employment of the involved public employees with those of other public employees doing comparable work, giving consideration to factors peculiar to the area and the classifications involved.
- (c) The interests and welfare of the public, the ability of the public employer to finance economic adjustments and the effect of such adjustments on the normal standard of services.
- (d) The power of the public employer to levy taxes and appropriate funds for the conduct of its operations.

The District urges selection of its offer on the basis that it meets the definition of "most reasonable" in terms of agreeableness to reason, lack of extremity or excessiveness, moderation and fairness, and inexpensiveness. It says the Association's offer is not the most reasonable because (1) it is not agreeable to reason in comparability with settlements at other schools, (2) it is extremely low on salaries and extremely high on family insurance, and (3) it is not moderate

⁵District's family package of \$2,003 less the single package of \$594 is \$1,409. Association's family package of \$2,319 less the single package of \$311 is \$2,008. District Ex. 24b.

or fair in its treatment of different employees. For the reasons discussed below, I disagree with the District's assessment.

At the outset it must be acknowledged that the two packages are so close in total cost that ability to pay is irrelevant. What is more, using the District's figures, their total package percentage increases are less than one tenth of one percent apart. Neither one, then, can be said to be extreme in this respect. The problem is in the allocation of the dollars involved, whether to insurance or to salaries and whether to singles or families.

Turning to the relevant statutory factors, each party argues that bargaining history is on its own side, with the Association pointing out that the cost of family insurance has always been covered since 1981 and the District arguing that it bought out that guarantee in 1992. History shows that both are correct. The record reveals that the Association traded its indexed salary schedule for full family coverage in 1981-82 and that this is the origin of the present distribution of compensation dollars in favor of insurance to the detriment of salaries. Then, for 1992-93, the Association traded its guarantee of full family insurance for a cafeteria plan which included a cap large enough to cover the cost of family insurance plus a cash payment to the employee. The conclusion that the Association relinquished the full family guarantee is supported by the grandfather clause and by the Association's later proposals to regain full family insurance for all employees who want it. At any rate, the District did pay a price for getting out of the full family guarantee, and that was the difference between the price of insurance and the size of the cap. The history of bargaining since 1992-93 shows that the cap was constantly being renegotiated and that, although it rose over the years, the cash benefit was being sacrificed to rising insurance premiums. In this respect the cap was more like salary than a fully paid insurance benefit, its dollar amount being negotiable between the parties rather than set in negotiation with outside agents. As such, it cannot be said that changing the cap to cover the cost of insurance must be, now and forever, the inevitable result of bargaining. In each round this is but one possible result. The question, then, is what is fair and reasonable in this round?

Bargaining history supports the Association, for the cap has never been lower than the cost of the insurance. On the other hand, bargaining history is not particularly supportive of the Board on size of base salary adjustment because the \$500 increases have only occurred in the last three years. Moreover, the present cost of adjusting the cap as the Association requests is not excessive because the District has the wherewithal to cover it and still make a salary adjustment large enough to keep the total package comparable to those of its neighbors and other similar districts. This is shown by the nearly identical total package increases of both final offer packages (3.91% for the District's, 4.00% for the Association's) and the average total package increases in the various comparison groups (which range from 3.99% for Size 2 schools to 4.17% in the few conference settlements negotiated this year). To the extent that the 0.09% is a meaningful difference between the two packages, the Association's package has the edge because it comes closest to what others are doing.

The District argues vigorously that allocating so much of the package to insurance is unfair and unreasonable for a variety of reasons. For one, it significantly disadvantages those taking single insurance or no insurance compared to those with family insurance. This is true, but a large majority of the bargaining unit subscribes to the family option. Thus, the Association's proposal preserves a benefit valued by most of the unit whereas the District's does not, even if employees shift to higher deductible plans in order to reduce the impact on take-home pay. For another, it suggests that its relatively low salaries hamper its ability to recruit new teachers. However, it does not offer any evidence to show it is having difficulty filling vacancies with well-qualified teachers and that relatively low salaries are the cause. In fact, it appears to the Arbitrator that a distinguishing characteristic of this district is its generous insurance benefit and that this, in and of itself but especially in the context of a competitive total compensation package, may be useful in attracting and retaining personnel. The District also suggests that its salary schedule fails to encourage professional development, but offers no evidence that its proportion of MA teachers is low relative to other similar small districts in the

region. Further, it is hard to see that the \$250 difference between the District's and Association's offers would have much, if any, impact on either recruitment or encouragement of professional development. Thus, while it is true that the District's package is more balanced in terms of percentage increases on each of the two components (3.05% and 8.52% vs. the Association's 2.09% and 13.69%), the amount by which their salary components differ is probably too small to make much, if any, difference in personnel outcomes. Where they do differ significantly is on insurance (8.52% v. 13.69%), but it is the Association's offer that comes closest to what others are doing (13.34% statewide growth - 14.96% in Size 2 schools) and thus has the advantage of preserving a valued benefit. While the size of the cap proposed is large compared to what it has historically been, it is not large in relation to the price of insurance, nor is the rate of growth in the insurance benefit excessive in relation to what is happening in surrounding districts and statewide. For these reasons, the Association's proposal is not unreasonable. Better than the District's, it preserves what a lengthy bargaining history shows the parties value and adjusts salaries enough to keep the total package competitive with its neighbors at a cost the District can afford. I accordingly award for the Association on both items.

V. AWARD

Article IV Insurance: Increase family plan contribution (Section A.2) to \$875 per month;
increase single plan contribution (Section A.3) to \$415.

Article XVII Wages and Salary: Change dates in Section A to 2003-2004; increase base salary to \$22,750; revise salary schedule accordingly.

Respectfully submitted,

Anna DuVal Smith, Ph.D.
Arbitrator

Cuyahoga County, Ohio
July 30, 2003

ADS:sss
iprb943

CERTIFICATE OF SERVICE

I certify that on the 30th of June 2003, I served the foregoing Opinion and Award upon each of the parties to this matter by mailing a copy to them at their respective addresses as shown below:

Steve Adams, UniServe Director
Iowa State Education Association
240 Classic Car Ct. SW, Suite B
Cedar Rapids, IA 52404

Gary L. Ray, President
Ray and Associates
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Cedar Rapids, IA 52402

I further certify that on the 30th of June 2003, I submitted this Opinion and Award for filing by mailing it to the Iowa Public Employment Relations Board, 514 East Locust, Suite 202, Des Moines, Iowa 50309.

Anna DuVal Smith, Ph.D.
Arbitrator